

LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (and in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: EEX

Date Approval Sheet completed: December 28, 1999

Enron person completing this form: Chris Locher

Expected closing date: December 29, 1999

Business Unit: Enron North America

Business Unit Originator: Joe Deffner, Tim Proffitt

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☒ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☐ other: _____

Person(s) negotiating for Enron: Joe Deffner, Tim Proffitt

Person(s) negotiating for LJM: Michael Kopper, Greg Caudell

Legal counsel for Enron: Andrews & Kurth (Wes Dorman)

Legal counsel for LJM: Kirkland & Ellis (Rob Marks)

DEAL DESCRIPTION

LJM2 will purchase from Enron North America a 90% equity interest in Bob West Treasure, L.L.C. for \$2,953,125. Bob West Treasure is a special purpose vehicle created to be the counterparty for a prepay with EEX involving \$105 million for up to 63 Bcfe of na' gas.

ECONOMICS

LJM2 will purchase the equity with the expectation of receiving a 25% IRR on its investment. LJM2 and ENA will enter into a marketing agreement under which ENA agrees to use its best efforts to sell the equity on LJM2's behalf and under which ENA receives 90% of any gains exceeding a 25% return to LJM2.

DASH

Attached

ISSUES CHECKLIST

1. Sale Options

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☒ Condor ☐ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: A sale to Condor would achieve deconsolidation of the debt but would not allow Enron to book earnings.
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☒ Yes ☐ No. Please explain: The debt and equity were marketed to several banks including Chase, Deutsche and Paribas.

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☒ Earnings
☒ Other: Funds flow of approximately \$105 million.
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

... PROVALS

	Name	Signature	Date
Business Unit	<u>Andrew J. Kead</u>	<u>ANDREW Kead</u>	<u>12/28/99</u>
Business Unit Legal	<u>Paul J. Enron</u>	<u>Paul J. Enron - SMS</u>	<u>12-28-99</u>
Enron Corp. Legal	<u>Rex Rogers</u>	<u>Rex Rogers</u>	<u>12-28-99</u>
Global Finance Legal	<u>Scott Sefton</u>	<u>Scott Sefton</u>	<u>12/28/99</u>
RAC	<u>Rick Buy</u>	<u>Rick Buy</u>	<u>12/28/99</u>
Accounting	<u>Rick Causey</u>	<u>Rick Causey</u>	<u>12-28-99</u>
Executive	<u>Jeff Skilling</u>	<u>Jeff Skilling</u>	

ENRON INVESTMENT SUMMARY

DEAL NAME: EEX

Originated: Enron North America

Expected Closing Date: 12/28/99

Expected Funding Date: 12/28/99

Date Completed: December 27, 1999

Investment Analyst: Chris Lochr

Investment Type: Equity

APPROVAL AMOUNT REQUESTED

Capital Commitment \$ 2,953,125.00

DEAL DESCRIPTION

Purchase 90% of the equity in Bob West Treasure, L.L.C. ("Bob West"). Bob West is a special purpose vehicle created to be the counterparty for a prepay with EEX involving \$105 million for up to 63 Bcfe of natural gas.

TRANSACTION SUMMARY

- On Dec. 28, 1999, LJM will purchase from Enron North America 90% of the Bob West equity for \$ 2,953,125.00.
- \$2,700,000.00 will be in the purchase price paid to Enron North America.
- \$253,125.00 will be a capital contribution to Bob West Treasure LLC.
- ENA will pay LJM2's legal and tax advisory fees upfront.

CASH FLOW SUMMARY

LJM2, as a 90% equity holder in Bob West, is entitled to 90% of cashflows remaining after payment of interest on the \$105 million of debt.

RETURN SUMMARY

LJM2's investment is expected to yield a return of 25%.

EXIT STRATEGY

- LJM2 has entered into a marketing agreement with ENA, whereby ENA agrees to use its reasonable best efforts to market the equity on LJM2's behalf.
- ENA will have a 90 day exclusivity period during which any gain on sale that exceeds LJM2's targeted 25% return on investment will be split 90% to ENA and 10% to LJM2.
- Exclusivity period ends 90 days from signing of contracts. At that point any gain on sale that exceeds LJM2's targeted 25% return on investment will be split 75% to ENA and 25% to LJM2.
- It is expected a resale of the equity will take place within six months to coincide with refinancing of the \$105 million bridge financing.

RISKS AND MITIGANTS

Risk	Mitigant
Refinancing risk	LJM2 is entitled to cashflows after debt servicing. The bridge financing in place will need to be refinanced within ten months. Depending on the terms of the refinancing, equity cashflows may not support LJM2's targeted 25% return. LJM will have right to approve/reject terms of permanent financing.
Reserve risk	EEX has sold up to 63 Bcfe under the prepay agreement. While actual production of these reserves is a risk, 72% of the volumes are proved developed producing.
Interest rate risk	LJM2 is entitled to cashflows after debt servicing. The bridge financing in place is a floating rate facility (LIBOR+75bps); however, there is an existing swap which will be assigned to Bob West that fixes the rate on the bridge at 7.48%.
Operating risk	ENA will act as Managing Member and will be responsible for all operations.

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APPROVALS

GEM Lead

Name

Cheryl Lipschutz

Signature

Date

2/12/00

Business Unit Originator

Andrea Reed

Business Unit Legal

Joel Edmoss

Scott Sefton

2/10/00

2/10/00

LJM APPROVAL SHEET

Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Cortez

Date Approval Sheet completed: January 4, 2000

Enron person completing this form: Trushar Patel

Expected closing date: January 6, 2000

Business Unit: Enron Energy Services

Business Unit Originator: Jimmie Williams

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☐ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☒ other. Investment in Cortez, LLC which holds shares in EMW Energy Services Corp.

Person(s) negotiating for Enron: Jimmie Williams, Cheryl Lipshutz

Person(s) negotiating for LJM: Michael Kopper,

Legal counsel for Enron: Vinson & Elkins

Legal counsel for LJM: Kirkland & Ellis

DEAL DESCRIPTION [Insert short description of the transaction involving/between Enron and LJM; do not describe the underlying asset or transaction.]

LJM2 will invest \$673,200 equal to 51% ownership of the Class A membership interests in Cortez, LLC with EES owning the remaining 49% of the Class A membership interests. In turn, Cortez, LLC owns 25% of the common shares (with voting rights) in EMW Energy Services Corp.

ECONOMICS [Insert short description of the Enron economics of the transaction involving/between Enron and LJM; do not describe the economics of the underlying asset or transaction.]

The Class A Members (including LJM2) will receive 100% of the cash Cortez, LLC receives in the form of dividends, distribution or other payment on the Class A Common Stock of EMW Energy Services Corp. held by Cortez, LLC until the Class A Members attain the targeted IRR. Upon LJM2 receiving their targeted return, the cash will be distributed 99.75% to EES and 0.25% to LJM2.

DASH [Attach the DASH relating to the underlying asset or transaction. Insert brief update on the DASH if the underlying asset or transaction has changed materially since the original DASH was completed.]

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Sale Options

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condor ☒ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: Chewco, Enserve and Rawhide considered.
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: LJM2 was offered this investment.

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction


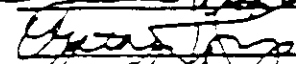
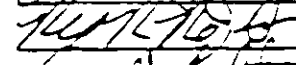

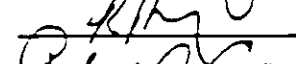
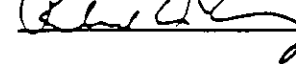
- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☒ Other: New business opportunity & Deconsolidation.
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____.
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____.
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No (Certain EES employees may receive compensation not directly related to this transaction)
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain:

- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No (Audit committee has not reviewed any transactions to date).

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APPROVALS	Name	Signature	Date
Business Unit	Jimmie Williams		1/5/00
Business Unit Legal	Vicki Sharp		1/5/00
Enron Corp. Legal	Rex Rogers/Robert Eickenroht		1/5/00
Global Finance Legal	Scott Sefton		1/5/00
RAC	Rick Buy		1/5/00
Accounting	Rick Causey		1/5/00
Executive	Jeff Skilling		

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Cortez Investment Summary

DEAL NAME: Cortez Investment
 Originated: Enron Energy Services
 Expected Closing Date: January 6, 2000
 Expected Funding Date: January 6, 2000

Date Completed: January 4, 2000
 Investment Analysts: Trushar Patel
 Investment Type: Equity

EXPECTED MAXIMUM COMMITMENT OF LJM II

Capital Commitment	\$673,200
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DEAL DESCRIPTION

Enron Energy Services, LLC ("EES") along with strategic partners ("Investors") is forming EMW Energy Services Corp. (the "Company") to engage in the retail marketing and retail sale of natural gas, electricity and other commodities, products and services to residential and small commercial customers in the United States. Prior to cash contributions from the Investors (outlined below), EES and Enron Corp. will contribute or cause to be contributed (in exchange for Common Stock and Special Warrants) to the Company certain assets of the residential and small commercial retail electric power and gas marketing business of EES and its affiliates. Immediately following the contribution by EES and Enron Corp. the Investors will invest an aggregate of \$100 million in exchange for Common Stock, Special Warrants and Investor Warrants in the Company.

Along with the Common Stock and Special Warrants issued to EES for its contribution, the Company will issue to EES 25,000 shares of Common Stock, which EES will promptly contribute to Cortez Energy Services, LLC ("Cortez"). The authorized membership interests of Cortez at closing will consist of Class A and Class B membership interests. At closing, EES will own 49% of the Class A interests and 100% of the Class B interests. LJM2 will own 51% of the Class A interests. EES will be managing member of Cortez. At closing, the LLC Agreement stipulates that prior to an Initial Public Offering or five years from the closing date, neither of the owners may transfer their interests in Cortez. The exception being that the transfer of the interests be to an Affiliate of EES or Enron Corp. or Cortez if, but only if, at least 80% of the economic and voting interests represented by the transferred interests continue to be held, directly or indirectly, by EES or Enron Corp.

The following table outlines the capitalization of the Company following consummation of the transactions described above:

	<u>Contribution Amount</u>	<u>Shares</u>	<u>% of Common Shares (primary)</u>
EES:	Assets		
Common		50,000	50%
Special Warrants		225,000	0%
Cortez:	NA		
Common		25,000	25%
DLJ:	\$35 MM		
Common		8,750	8.8%
Special Warrants		26,250	0%
Investor Warrants		8,065	0%
GE:	\$35 MM		
Common		8,750	8.8%
Special Warrants		26,250	0%
Investor Warrants		18,065	0%
CalPERS:	\$15 MM		
Common		3,750	3.75%
Special Warrants		11,250	0%
Investor Warrants		7,742	0%
Ontario Teachers:	\$15 MM		
Common		3,750	3.75%
Special Warrants		11,250	0%
Investor Warrants		7,742	0%

TRANSACTION SUMMARY

LJM 2 will invest \$673,200 equal to 51% ownership of the Class A membership interests in Cortez with EES owning the remaining 49% of the Class A membership interests. In turn, Cortez owns 25% of the common shares (with voting rights) in EMW.

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RETURN SUMMARY

The Class A Members (including LJM2) will receive 100% of the cash Cortez receives in the form of dividends, distribution or other payment on the Common Stock of the Company held by Cortez, until the Class A Members attain the targeted IRR. Upon the Class A Members receiving their targeted return, the cash will be distributed 99.75% to EES and 0.25% to LJM2.

EXIT STRATEGY

LJM2 will be allowed to sell its interests in Cortez at the earlier of the Initial Public Offering date (subject to the required legal holding period) or five years from the closing date. LJM2 does have the ability to sell prior to the earlier of the Initial Public Offering date (subject to the required legal holding period) or five years from the closing date. In this case the transfer of the interests must be to an Affiliate of EES or Enron Corp. or Cortez if, but only if, at least 80% of the economic and voting interests represented by the transferred interests continue to be held, directly or indirectly, by EES or Enron Corp.

Risks

EMW Energy Services Corp.'s failure to execute on its business plan to engage in the retail marketing and retail sale of natural gas, electricity and other commodities, products and services to residential and small commercial customers in the United States. This would preclude the ability to proceed with an initial public offering in the next six to twelve months. This in turn will hamper LJM2's ability to exit the investment, as the underlying asset in Cortez is shares of Common of the Company.

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LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Yosemite

Date Approval Sheet completed: February 8, 2000

Enron person completing this form: Catherine Pernot

Expected closing date: February 15, 2000

Business Unit: Enron Corp.

Business Unit Originator: Bill Brown/ Doug McDowell

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☒ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☐ other: _____

Person(s) negotiating for Enron: Bill Brown / Doug McDowell / Ben Glisan / Nicole Alvino

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Gareth Bahlmann

Legal counsel for LJM: Dave Lambert of Kirkland & Ellis

DEAL DESCRIPTION

LJM2 is purchasing Beneficial ownership in a Delaware Business Trust (Yosemite Securities Trust I) that owns Trust Investments consisting of AAA securities, U.S. obligations, and payment obligations supported, in whole or in part, directly or indirectly, by Enron. The face amount of the Trust Investments equals the amount of Notes and Certificates in the Trust. The Trust and Citibank have entered into the Citibank Swap, which will provide for yield payments on the Certificates and for certain settlement payments under credit events, in exchange for actual interest payments on the Trust Investments. LJM2 intends to sell this investment to Condor within one week of purchase.

ECONOMICS

LJM2 is purchasing the beneficial ownership at face value for \$33,750,000 to achieve a yield of 11%

DASH

Included

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ISSUES CHECKLIST

Sale Options

a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:

☐ Condor ☐ JEDI II ☐ JEDI ☐ Margaux ☐ EnSerCo ☐ Rawhide ☐ Chewco
☒ Third Party ☐ Direct Sale.

Please explain: Enron entered into a Letter of Understanding with LJM2 and LJM2 subsequently entered into a similar arrangement to sell the Certificates to Condor.

b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____

c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: _____

2. Prior Obligations

a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____

b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☒ Other: Sale of asset to third party (full risk transfer); non-consolidation of Yosemite Debt on Enron's balance sheet

b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____

c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____

d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.

b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.

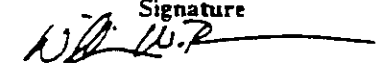
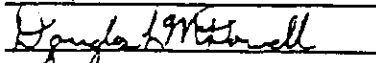

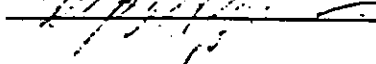
c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____

d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.

e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.

f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

APPROVALS

	Name	Signature	Date
Business Unit	Bill Brown		2/28/00
Business Unit	Doug McDowell		2/24/00
Business Unit Legal	Gareth Bahlmann		2/21/00
Enron Corp. Legal	Rex Rogers		2/21/00

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LJM APPROVAL SHEET

Page 2

Global Finance Legal

VC

Accounting

Executive

Scott Sefton

Rick Buy *2/24*

Rick Causey

Jeff Skilling

*Scott Sefton**2/10/00**2/24/00**2/24/00**Review a Copy**2/24/00*

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LJM2 APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Raptor

Date Approval Sheet completed: April 18, 2000

Enron person completing this form: Trushar Patel

Expected closing date: May 4, 2000

Business Unit: Enron Corp.

Business Unit Originator: Ben Glisan

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☐ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☒ other: creation of hedging structure

Person(s) negotiating for Enron: Ben Glisan

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Vinson & Elkins

Legal counsel for LJM: Kirkland & Ellis

DEAL DESCRIPTION

Talon I LLC ("Talon") is a special purpose entity organized for the purpose of entering into certain derivative transactions. LJM2, through its 100% voting control of Talon, has the unilateral ability to make the investment decisions for Talon and is not contractually obligated to execute any derivative transactions with Enron. LJM2 will execute derivative transactions with Harrier I LLC ("Harrier"), a wholly-owned subsidiary of Enron, to the extent those investment decisions are aligned with LJM2's investment objectives. Enron, through Harrier, will offer LJM2 the opportunity to execute derivative instruments relating to both public and private energy and telecommunication investments made by Enron.

ECONOMICS

Talon's distributions to equity holders will be limited by earnings at Talon. To the extent there are earnings and sufficient cash to distribute, distributions will be made according to the following waterfall:

- First, \$41 million to LJM2
- Second, distributions as necessary until LJM2 receives a 30% IRR over the term of the structure (unless the IRR was achieved through the \$41 million distribution above)
- Third, 100% to the special limited partnership interest, Harrier I LLC, a wholly-owned subsidiary of Enron

DASH

See attached.

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ISSUES CHECKLIST

1. Sale Options

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condor ☐ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: Not a sale of an asset by Enron
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: Private structured finance transaction

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

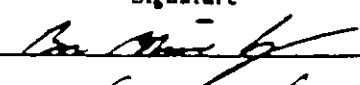
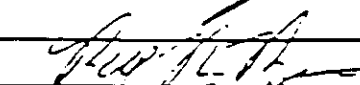
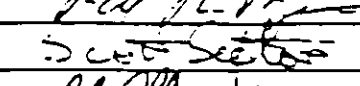

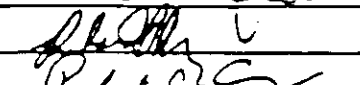
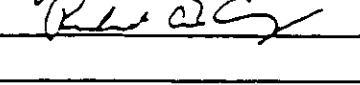
- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☒ Other: Ability to hedge mark-to-market exposure on investments in publicly and privately held companies
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. (The Audit Committee has not held a meeting since LJM2's formation.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

AF100184

APPROVALS

	Name	Signature	Date
Business Unit	Ben Glisan		6-12-00
Business Unit Legal			
Enron Corp. Legal	Rex Rogers		5-24-00
Global Finance Legal	Scott Sefton		5-22-00
RAC	Rick Buy 		5-22-00
Accounting	Rick Causey		5-22-00
Executive	Jeff Skilling		

AF100185

DEAL NAME: Raptor
Originated: Enron Corp.
Expected Closing Date: 4/18/00
Expected Funding Date: 5/04/00

Date Completed: April 18, 2000
Investment Analyst: Chris Lochr
Investment Type: Equity

INVESTMENT

LJM2 Capital Commitment \$ 30,000,000

DEAL DESCRIPTION

Talon I LLC ("Talon") is a special purpose entity organized for the purpose of entering into certain derivative transactions. LJM2, through its 100% voting control of Talon, has the unilateral ability to make the investment decisions for Talon and is not contractually obligated to execute any derivative transactions with Enron. LJM2 will execute derivative transactions with Harrier I LLC ("Harrier"), a wholly-owned subsidiary of Enron, to the extent those investment decisions are aligned with LJM2's investment objectives. Enron, through Harrier, will offer LJM2 the opportunity to execute derivative instruments relating to both public and private energy and telecommunication investments made by Enron.

TRANSACTION SUMMARY

- On April 21, 2000, LJM2 will purchase 100% of the voting interest in Talon for \$30,000,000
- Talon is a bankruptcy remote, special purpose vehicle that will be capitalized with:
 - LJM2's capital investment
 - A series of forward sales on Enron shares (\$500 million of gross value but \$350 million of net value after a 30% liquidity discount has been ascribed given the restrictions imposed on the underlying shares) resulting in ultimate ownership by Talon of Enron common stock
 - The sale of puts on [7 million] Enron shares with a strike of [\$57.50], a maturity in [six months] from close and a premium due of [\$6] per share.
- In exchange for the above capitalization, Talon will provide Harrier: (i) a \$400 million note whose principal is convertible into derivatives, and (ii) a special limited partnership interest in Talon initially valued at \$1,000.
- To limit Talon's exposure to the mark-to-market movements of the underlying derivative transactions, Talon and Harrier agree to limit the notional amount of swaps and premiums paid as follows: (i) up to \$1.5 billion notional value of at-the-money swaps, (ii) up to \$400 million of net premiums on other derivative transactions, and (iii) up to \$1 billion of loss on premium paid derivatives.
- LJM2 will have a fair market value put for its membership interest in Talon that allows LJM2 to put its interest back to Harrier in the event that LJM2 has not received the greater of \$41 million or a 30% IRR by October 31, 2000. Enron has provided support for Harrier's financial obligation under such an event in the form of a guaranty.
- At the maturity of the structure, Talon will liquidate the excess value, if any, of the Enron shares under the forward sales over the derivative losses, if any, at Talon and any principal outstanding on the Talon note. The excess proceeds, if any, will be distributed to LJM2 and Harrier in accordance with their capital accounts and the distribution waterfall.

INVESTMENT RETURN SUMMARY

Base Case Return

It is expected that Talon will have earnings and cash sufficient to distribute \$41 million to LJM2 within six months, yielding an annualized return on investment to LJM2 of 76.8%

Distributions

Talon's distributions to equity holders will be limited by earnings at Talon. To the extent there are earnings and sufficient cash to distribute, distributions will be made according to the following waterfall:

- First, \$41 million to LJM2
- Second, distributions as necessary until LJM2 receives a 30% IRR over the term of the structure (unless the IRR was achieved through the \$41 million distribution above)
- Third, 100% to the special limited partnership interest, Harrier I LLC, a wholly-owned subsidiary of Enron

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Fair Market Value Put

In the event that LJM2 has not received the greater of \$41 million or a 30% IRR on its investment by October 31, 2000, LJM2 will have a fair market value put whereby LJM2 can put its interest in Talon back to Harner. The fair market value of the membership interest is determined largely by Enron's stock price and is summarized below:

Enron Stock Price	Fair Market Put Value	LJM2 IRR
(\$57.50)	\$41.0 million	76.8%
(\$48.95)	\$34.5 million	30.0%
(\$48.35)	\$30.0 million	0.0%

Expenses

Enron has agreed to cover all of LJM2's accounting and legal expenses related to this transaction. Enron will cover expenses related to formation of the structure as well as ongoing expenses.

APPROVALS

Name

Signature

Date

Business Unit Originator

Ben Glisan

Ben Glisan

6-12-00

Business Unit Legal

Scott H. H. H.

S. H. H.

5-23-00

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AF100188

LJM2 APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: EECC Blue Dog Turbine Purchase

Date Approval Sheet completed: as of 05/12/00

Enron person completing this form: Gehle/Marlow/Kelly

Expected closing date: 05/12/00

Business Unit: Enron Engineering & Construction

Business Unit Originator: Fred Kelly

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☐ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☒ other: An option agreement to purchase turbines.

Person(s) negotiating for Enron: Fred Kelly

Person(s) negotiating for LJM: Michael Hinds

Legal counsel for Enron: David Bargainer

Legal counsel for LJM: Mike Edsall, Amy Harvey

DEAL DESCRIPTION

LJM2 will enter into a Letter of Agreement with General Electric Company to acquire the rights to purchase two PG7121EA Gas Turbine Generator Sets. LJM2 will appoint EECC as its Agent to negotiate the Purchase Agreement and EECC will enter an Option Agreement with LJM2 to acquire LJM2's rights to purchase the two Gas Turbine Generator Sets.

In consideration of LJM2's role in facilitating this transaction, EECC will pay LJM2 a non-refundable option payment of \$846,378. In consideration for EECC acting as Agent for LJM2 in negotiating this transaction, LJM2 will pay EECC a pro-rated Agency Fee of \$100,000 for each six months the Agency agreement is in effect.

In the event that EECC fails to complete negotiation of the Purchase Agreement by May 31, 2000 and the letter agreement is terminated by either party, EECC shall pay LJM2 as liquidated damages all amounts paid by LJM2 to GE under the Letter Agreement including the \$2,000,000 initial payment. EECC will also reimburse LJM2 for the amount of the Agency fee payable by LJM2, and for all transaction costs incurred by LJM2 as a result of such failure. The Purchase Agreement is substantially complete, however, and it is definitely expected that it will be executed by May 31, 2000.

EECC will have the option to acquire the turbines until November 10, 2000. It is anticipated that by that date EECC will identify a profitable power project opportunity within Enron or with a third party in which to utilize the turbines and will exercise its option to purchase the turbines from LJM2, although there is no obligation for EECC to exercise such option.

ECONOMICS

This transaction will require EECC to pay the above-mentioned amounts to LJM2. Additionally, if EECC elects to exercise its option, it will acquire LJM2's rights to acquire the turbines, for the then Fair Market Value of the turbines.

This transaction will allow EECC to potentially secure these turbines off balance sheet until it is clear on which project opportunity and under which structure they will be employed.

DASH

Please reference the approved DASH dated 04/14/00 and the approved Amendment dated 04/28/00. Please note that the LJM2 option premium and the commitment fee, combined, is higher than \$200,000 anticipated in the original DASH. Please also note the liquidated damages that will apply in the event EECC is unable to complete the negotiation of a Purchase Agreement by May 31, 2000.

FINANCIALS CHECKLIST

1. Sale Options

C:\My Documents\LJM Approval sheet2.doc

AF100201

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LJM APPROVAL SHEET

Page 2

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condor ☐ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: this transaction involves the purchase of an asset (the option).
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: in view of time constraints LJM2 is considered the most expeditious vehicle for this transaction. Enron accounting and finance staff agree that the terms of the agreements with LJM2 are fair and at market for LJM2's role in this transaction.

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☒ Other: Since there is not a specific identified use for the turbines at this time, this transaction will provide accounting flexibility and will avoid the need to carry the transaction on Enron's balance sheet
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? ☐ Yes ☒ No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? ☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. (The Audit Committee has not held a meeting since LJM2's formation.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

AF100202

APPROVALS

	Name	Signature	Date
Business Unit	Fred Kelly/Larry Izzo	<i>[Signature]</i>	5-21-00
Business Unit Legal	John Schwarzenburg	<i>[Signature]</i>	22 May 00
Enron Corp. Legal	Rex Rogers	<i>[Signature]</i>	5-24-00
Global Finance Legal	Scott Sefton	<i>[Signature]</i>	5-23-00
RAC	Rick Buy <i>[Signature]</i>	<i>[Signature]</i>	5/25/00
Accounting	Rick Causey	<i>[Signature]</i>	5/26/00
Executive	Jeff Skilling		

Verbal from Rick Buy
on 5/25/00

AF100203

DEAL NAME: Pluto
Originated: Enron North America
Expected Closing Date: 12/29/99
Expected Funding Date: 12/29/99

Date Completed: December 29, 1999
Investment Analyst: Chris Lochr
Investment Type: Debt and Equity

APPROVAL AMOUNT REQUESTED

Capital Commitment \$ 26.3 MM

DEAL DESCRIPTION

Purchase \$23,174,400 face value of MEGS, L.L.C. ("MEGS") debt from ENA, which based on market prices and required liquidity premiums, has a value of \$25,570,569.78 and will yield 9.9%. Purchase 90% of the equity in MEGS from ENA for \$743,040 which is expected to yield 25%. MEGS is a special purpose entity that purchased an offshore gathering system from Mariner Energy and Burlington Resources and is entitled to contractual cashflows under a gathering agreement with the same.

TRANSACTION SUMMARY

On Dec. 28, 1999, LJM will purchase from Enron North America \$23.2 million face value of MEGS debt and 90% of MEGS equity for total consideration of \$26,313,609.78.

CASH FLOW SUMMARY

LJM is entitled to the 14.15% monthly coupon on the debt. Equity is expected to receive a 25% return paid monthly. Both the debt and equity investments amortize monthly by the amount that contractual cashflows exceed return on capital.

RETURN SUMMARY

LJM's investment, if held to maturity, would yield a blended return of 10.28%.

EXIT STRATEGY

- LJM has entered into a marketing agreement with ENA, whereby ENA agrees to use its reasonable best efforts to market the equity on LJM's behalf.
- ENA will have a 90 day exclusivity period during which any gain on sale that exceeds LJM's targeted 25% return on investment will be split 90% to ENA and 10% to LJM.
- Exclusivity period ends 90 days from signing of contracts. At that point any gain on sale that exceeds LJM's targeted 25% return on investment will be split 75% to ENA and 25% to LJM.
- It is expected a resale of the equity will take place within two months.
- ENA has agreed to bear syndication risk on the debt. It is expected that the debt will be monetized in a Merlin-like vehicle which will purchase the debt to yield LJM a 25% annualized return in the first half of 2000.

RISKS AND MITIGANTS

Risk	Mitigant
Credit risk	Mariner and Burlington are the counterparties to the gathering agreement which stipulates contractual cashflows for each party, regardless of actual volumes shipped (ship or pay contract). Burlington credit risk is mitigated its A- credit rating and the guarantee provided to MEGS by Burlington. Mariner credit risk is mitigated by above market pricing on the Mariner tranche of debt.
Reserve risk	The contractual cashflows in the gathering agreement are predicated on natural gas volumes expected over the life of the Burlington/Mariner well. Should the reserves be substantially less than projected, the gathering agreement may become uneconomic for the counterparties.
Operating risk	Mariner, as operator, is responsible for all operating expenses and maintenance related to the gathering system. ENA will act as Managing Member and will be responsible for all other operations.

AF100261

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APPROVALS

GEM Lead

Name
Cheryl Lipshutz

[Signature]

Date
2/10/00

Business Unit Originator

~~Brian Richmond~~ Randy Maffett

[Signature]

2/10/00

Business Unit Legal

~~Joel Zahress~~ Scott Sefton

[Signature]

2/10/00

LJM APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Nowa Sarzyna

Date Approval Sheet completed: December 17, 1999

Enron person completing this form: Nicole Alvino

Expected closing date: December 20, 1999

Business Unit: Enron Europe

Business Unit Originator: Anne Edgley

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☒ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☐ other: _____

Person(s) negotiating for Enron: Anne Edgley, Maroun Abboudy, Cheryl Lipshutz, Trushar Patel

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Freshfields, London - Julian Makin

Legal counsel for LJM: Kirkland & Ellis, Los Angeles - Eva Davis

DEAL DESCRIPTION [Insert short description of the transaction involving/between Enron and LJM; do not describe the underlying asset or transaction.]

LJM1 will purchase 75% of the Nowa Sarzyna power project from Enron Europe.

ECONOMICS [Insert short description of the Enron economics of the transaction involving/between Enron and LJM; do not describe the economics of the underlying asset or transaction.]

LJM2 will purchase 75% of Enron's economic interests in Enron Poland Investments B.V. for \$30 MM. LJM2 is entitled to 75% of the cash flow in the form of dividends and shareholder loans.

DASH [Attach the DASH relating to the underlying asset or transaction. Insert brief update on the DASH if the underlying asset or transaction has changed materially since the original DASH was completed.]

Attached

AF100151

ISSUES CHECKLIST

1. Sale Options
 - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condor ☒ Margaux ☐ Enserco ☐ Rawhide ☐ JEDI I ☐ JEDI II ☐ Chewco ☒ Third Party ☐ Direct Sale. Please explain:
 Third party could not transact quickly enough.
 - b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
 - c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: The short time frame to transaction execution, and the need for certainty of closure drove the decision not to seek other bids.
2. Prior Obligations
 - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
 - b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____
3. Terms of Transaction
 - a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☒ Earnings
☐ Other: _____
 - b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
 - c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____
 - d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No. (market standard)
4. Compliance
 - a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
 - b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.
 - c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
 - d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☐ No.

APPROVALS

	Name	Signature	Date
Business Unit	John Sherrieff		
Business Unit Legal	Mark Evans		
Enron Corp. Legal	Rex Rogers	<i>[Signature]</i>	10/20/99
Global Finance Legal	Scott Sefton	<i>[Signature]</i>	12/20/99
RAC	Rick Buy	<i>[Signature]</i>	12/20/99
Accounting	Rick Causey		
Executive	Jeff Skilling		

ISSUES CHECKLIST

1. **Sale Options**
 - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected?
☐ Condition ☒ Margate ☐ Enronco ☐ Rawhide ☐ JEDI I ☐ JEDI II ☐ O'Brien ☐ Third Party ☐ Direct Sale. Please explain: I had party could not transact quickly enough.
 - b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
 - c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: The short time frame to transact enunciated, and the need for certainty of closure drove the decision not to seek other bids.
2. **Prior Obligations**
 - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
 - b. Was this transaction required to be offered in any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____
3. **Terms of Transaction**
 - a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☒ Earnings ☐ Other: _____
 - b. Was this transaction done strictly on an arm's length basis? ☒ Yes ☐ No. If no, please explain: _____
 - c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? ☐ Yes ☒ No. If yes, please explain: _____
 - d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No. (market standard)
4. **Compliance**
 - a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
 - b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? ☐ Yes ☒ No.
 - c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
 - d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

APPROVALS

	Name	Signature	Date
Business Unit	John Sherriff		
Business Unit Legal	Mark Evans		
Enron Corp. Legal	Rex Rogers	<i>[Signature]</i>	12/29/99
Global Finance Legal	Scott Sefton	<i>[Signature]</i>	12/29/99
RAC	Rick Amy	<i>[Signature]</i>	12/29/99
Accounting	Rick Causey	<i>[Signature]</i>	12/29/99
Executive	Jeff Skilling		

Enron Confidential

AF100153

ISSUES CHECKLIST

1. Sale Options

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condon ☒ Margaux ☒ Esserco ☒ Rawhide ☒ JEDI I ☒ JEDI II ☒ Chewco ☒ Third Party ☐ Direct Sale. Please explain: Third party could not transact quickly enough.
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: The short time frame to transaction execution, and the need for certainty of closure drove the decision not to seek other bids.

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☒ Yes ☐ No. If yes, please explain: _____

3. Terms of Transaction

- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☒ Earnings ☐ Other: _____
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? ☐ Yes ☒ No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1 b. and 3 b. above? ☒ Yes ☐ No. (market standard)

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? ☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
- d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No. ANNUAL REVIEW NOT YET TAKEN PLACE.

APPROVALS

	Name	Signature	Date
Business Unit	John Sherrill		2/12/99
Business Unit Legal	Mark Evans		2/12/99
Enron Corp. Legal	Rex Rogers		12/20/98
Global Finance Legal	Scott Sefton		12/20/98
RAC	Rick Ruv		12/20/98
Accounting	Rick Causey		
Executive	Jeff Skilling		

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AF100154

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BY ANDREW FASTOW"

DEAL NAME: Poland
Originated: Enron Europe
Expected Closing Date: December 20, 1999
Expected Funding Date: December 21, 1999

Date Completed: December 17, 1999
Investment Analysts: Trushar Patel, Nicole Alvino
Investment Type: Equity

EXPECTED MAXIMUM COMMITMENT OF LJM2

Capital Commitment		\$ 30 MM	
Poland Discount Rate Components:			
(Used by Underwriting Group)			
US Risk Free Rate (2yr)	5.81%	Sovereign Rating	BBB-Baa3
Country Premium (Pol' 04)	2.00%		
Equity Premium (Underwriting)	<u>5.69%</u>		
Discount Rate	<u>13.5%</u>		

DEAL DESCRIPTION

Purchase of indirect 75% equity interest in the Nowa Sarzyna Facility ("ENS") located in southeastern Poland, a gas-fired heat and power station with a generating capacity of 116 MW and thermal generating capacity of 70 MW. The Facility is located within the chemical complex of Organika (state owned chemical producer).

Power Sales:

Electric power will be sold to the Polish Grid Company (state owned owner and operator of Poland's transmission grid and principal purchaser and wholesale supplier of electricity in Poland) under a 20 year Power Delivery Agreement ("PDA"). The price of energy and capacity is expressed in zlotys but indexed to the US dollar every 6 months for the previous six months.

Fuel Supply:

The Polish Oil and Gas Company (a state owned integrated monopoly that controls the entire natural gas sector in Poland) will supply natural gas to ENS under a 20 year Fuel Supply Agreement. The fixed and variable price of fuel is passed through the power and steam sales agreements. ENS will not bear the risk of fuel price fluctuation as energy prices in the PDA and fuel costs in the Fuel Supply Agreement are indexed using the same indices.

Steam Sales:

ENS has agreed to sell low and high pressure steam to Organika (state owned chemical company) under a 20 year steam sales agreement. This agreement represents approximately 90% of the Facility's total thermal output. ENS is also negotiating to sell the remaining 10% of thermal energy to the City of Nowa Sarzyna for residential heating purposes.

TRANSACTION SUMMARY

Enron Europe Limited, through a 100%-owned affiliate, Nowa Sarzyna Holding BV, owns 100% of the Nowa Sarzyna Facility. LJM2 will purchase 75% of Enron's economic ownership interests and 75% voting interests (relating to dividend and share issuance matters only) through a purchase of 75% of Enron Poland Investments BV.

CASH FLOW SUMMARY

With its 75% ownership of the economic interest in Enron Poland Investments BV, LJM2 is entitled to 75% of the cash flows in the form of dividends and/or shareholder loans.

RETURN SUMMARY

Given the underlying assumptions of the Enron Europe Nowa Sarzyna model, LJM2 will pay \$30 MM for 75% of EPI. LJM2 is taking on full equity risk with no Enron guarantees, and has used a discount rate of 14.255% in valuing this investment. LJM2 assumes they can sell the asset to a strategic buyer by 3/31/00 at the model discount rate of 13.5%.

EXIT STRATEGY

Enron Europe commits to make reasonable and best efforts to launch Project Margaux, a securitization of Enron Europe assets. If Margaux is launched, Margaux will make an offer to buy the asset to be included in the Margaux asset pool. If Margaux is not launched by 3/31/00, EEL will make reasonable and best efforts to sell LJM2's equity interests to a "qualified" third party buyer.

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RISKS AND MITIGANTS

Risk	Description	Mitigation/Comments
Plant Completion Risk	Risk that project is not completed on time.	Builder's all risk insurance and delay in start-up insurance at the project level, ENS, of which LJM2 owns 75%.
Operator Risk	Risk that Operator will not operate and maintain the plant to meet contractual capacity and availability requirements.	The project company has contracted with an affiliate of Enron Corp., EE&CC to construct, operate and maintain the facility. Proven GE frame 6B turbines will be used.
Fuel Supply/Price Risk	Supply reliability and low volatility of fuel prices is critical to the plant performing to contractual requirements.	The state gas & oil company will be fuel supplier under a 20yr agreement. The fixed and variable components of the fuel cost will be passed through to the energy price in the PPA.
Offtaker Credit Risk	Risk that the offtaker will not be able to honor their obligations to pay for capacity and power delivered under the PPA.	The offtaker will be the Polish Grid Company (state owned power company), which solicited tenders for this project to satisfy the need to replace older coal fired plants (65% of their generation is over 25 years old).
Regulatory Risk	As part of the new energy laws in Poland - the supply, transmission and distribution sectors may be privatized. The Polish Grid Company has the right to assign the PPA to a private entity.	The PPA also stipulates that any assignee assumes all obligations under the PPA, is capable and qualified to perform and its obligations under the PPA are guaranteed by the Polish Grid Company or an entity of comparable creditworthiness to the Polish Grid Company. The Polish Grid Company cannot assign the PPA without prior written consent from ENS.
Environmental/Permitting Risks	Risk that the required permits are not obtained to proceed with commercial operations.	All permits have been obtained.
Inflation Risk	Risk of value being eroded due to inflation.	Contracts are structured to escalate with inflation indexes.
Currency Risk	Payments are to be made in Zlotys.	Zloty payments are indexed to the US dollar and adjustments are made every six months for the previous six-month period.
Political Risk	Country specific events that may degrade anticipated revenues and returns from the project.	LJM2 will be provided with an insurance policy underwritten by Enron, with payment guaranteed by Enron which will mirror the sovereign risk policy in place for the project at present.

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APPROVALS

Name	Signature	Date
John Shacht	<i>[Signature]</i>	21-12-99
Anna Edgley	<i>[Signature]</i>	21.12.99
Mark Evans	<i>[Signature]</i>	21.12.99
Cheryl Lindsay	<i>[Signature]</i>	12-20-99

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